

**California Department of Water Resources State Water Project
Comments on
Flexible Ramping Product
Supplemental: Foundational Approach
Dated: July 11, 2012**

July 24, 2012

On July 11, 2012, the CAISO published the Flexible Ramping Product, Supplemental: Foundational Approach paper. The reason for this supplemental information was to re-evaluate the fundamental aspects of the proposed flexible ramping product (FRP) design and cost allocation methodology. Various new options were presented and explained.

The following week on July 17, 2012, the CAISO hosted a stakeholder conference to discuss the supplemental information. The California Department of Water Resources State Water Project (CDWR) appreciates the opportunity to submit comments on the FRP Supplemental paper.

Comments:

The ISO is proposing to allow a 3% threshold for allocation of FRP costs for only the supply category. CDWR feels this is inconsistent with the Comparable Treatment cost allocation guiding principle. CDWR recommends that a 3% threshold be allowed for allocation of the load and fixed ramp categories as well. Why should generators be allowed a 3% margin of error on their instructed energy while loads are held to a 0% margin of error on their day-ahead scheduled load? If a threshold value is going to be used to make FRP cost allocation “more manageable” and “incentivize supply resources to improve their performance to stay within the threshold”, the threshold should be allowed for all FRP cost allocation categories. All cost allocation categories should have the same threshold value.

The ISO is currently proposing to allow load serving entities (LSE) using 10 minute metering to be considered within the supply category instead of the load category when it comes to allocating FRP costs. Although CDWR supports the ISO’s decision, a more detailed explanation of why the ISO made this decision should be provided. This decision can have a profound effect on LSE’s deciding to install/upgrade to a more granular metering. If a 10 minute metering LSE is considered in the supply category, will it also be allowed the 3% threshold?

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As a result of the potential gaming by variable energy resources (VER's) mentioned in the subject paper (Section 4.3.2, page 17), the ISO now proposes to use a "third party ISO forecast for the baseline for measuring changes in uninstructed energy". Can the ISO predict a VER's baseline better than the resource itself? Will the VER's be required to follow this forecasted baseline? Will the "third party ISO forecast" software/service cost the ISO more money? If so, how will this cost be allocated? If the VER's are required to follow the "third party ISO forecast", CDWR strongly believes that any costs related to the forecast should only be allocated to the VER's that use it. Otherwise, the VER's can go out and procure the "third party forecast" software/service on their own. If the VER's are not required to follow the forecast and the ISO is using it as another "tool" to help manage the grid, the forecast costs can be socialized among all participants.